STATE OF CONNECTICUT

House of Representatives

General Assembly

File No. 368

February Session, 2004

Substitute House Bill No. 5023

House of Representatives, March 31, 2004

The Committee on Government Administration and Elections reported through REP. O'ROURKE of the 32nd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MUNICIPAL ETHICS CODES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (Effective July 1, 2004) As used in sections 1 to 7,
- 2 inclusive, of this act:
- 3 (1) "Business" means any entity through which business for profit or
- 4 not-for-profit is conducted, including a corporation, partnership,
- 5 proprietorship, firm, enterprise, franchise, association, organization or
- 6 self-employed individual.
- 7 (2) "Business with which he or she is associated" means a business of
- 8 which a public official or public employee or a member of his or her
- 9 immediate family is a director, officer, owner, employee, compensated
- 10 agent or holder of stock which constitutes five per cent or more of the
- 11 total outstanding stock of any class.
- 12 (3) "Confidential information" means information, whether

13 transmitted orally or in writing, which is obtained by reason of the

- 14 public position or office held and is of such nature that it is not, at the
- 15 time of transmission, a matter of public record or public knowledge.
- 16 (4) "Financial interest" means any interest with a monetary value of
- 17 one hundred dollars or more or which generates a financial gain or
- 18 loss of one hundred dollars or more in a calendar year.
- 19 (5) "Gift" means anything of value, including entertainment, food,
- 20 beverage, travel and lodging given or paid to a public official or public
- 21 employee to the extent that consideration of equal or greater value is
- 22 not received. A gift does not include:
- 23 (A) A political contribution otherwise reported as required by law
- or a donation or payment as described in subdivision (9) or (11) of
- 25 subsection (b) of section 9-333b of the general statutes;
- 26 (B) Services provided by persons volunteering their time for a political campaign;
- 28 (C) A commercially reasonable loan made on terms not more 29 favorable than loans made in the ordinary course of business;
- 30 (D) A gift received from (i) an individual's spouse, fiance or fiancee,
- 31 (ii) the parent, brother or sister of such spouse or such individual, or
- 32 (iii) the child of such individual or the spouse of such child;
- 33 (E) Goods or services which are provided to the municipality or
- 34 district and facilitate governmental action or functions;
- 35 (F) A certificate, plaque or other ceremonial award costing less than
- 36 one hundred dollars;
- 37 (G) A rebate or discount on the price of anything of value given in
- 38 the ordinary course of business without regard to the recipient's status;
- 39 (H) Printed or recorded informational material germane to
- 40 governmental action or functions;

41 (I) Items of nominal value, not to exceed ten dollars, containing or 42 displaying promotional material;

- 43 (J) An honorary degree bestowed upon a public official or public 44 employee by a public or private university or college;
- 45 (K) A meal provided at an event or the registration or entrance fee 46 to attend such an event, in which the public employee or public official 47 participates in said person's official capacity;
- 48 (L) A meal provided in the home by an individual who resides in 49 the municipality or district; or
- 50 (M) Gifts in-kind of nominal value not to exceed twenty-five dollars 51 tendered on gift-giving occasions generally recognized by the public 52 including Christmas, Hanukkah, birthdays, the birth or adoption of a 53 child, weddings, confirmations or bar or bat mitzvahs, provided the 54 total value of such gifts in any calendar year do not exceed fifty 55 dollars.
- 56 (6) "Immediate family" means any spouse, child or dependent 57 relative who resides in the individual's household.
- 58 (7) "Individual" means a natural person.
- 59 (8) "Municipality" means a town, city or borough.
- 60 (9) "Official responsibility" means the direct administrative or 61 operating authority, whether intermediate or final and whether 62 exercisable personally or through subordinates, to approve, 63 disapprove or otherwise direct government action.
- (10) "Person" means an individual, sole proprietorship, trust, corporation, union, association, firm, partnership, committee, club or other organization or group of persons.
- 67 (11) "Personal interest" means an interest in any action taken by the 68 municipality or district in which an individual will derive a 69 nonfinancial benefit or detriment but which will result in the

- 70 expenditure of municipal funds.
- 71 (12) "Public employee" means a person employed, whether full or 72 part time, by a municipality or a district.
- 73 (13) "Public official" means an elected or appointed official, whether 74 paid or unpaid or full or part time, of a municipality or political 75 subdivision thereof, or a district, including candidates for the office 76 and shall also include a district officer elected pursuant to section 7-327 77 of the general statutes.
- 78 (14) "District" means a district established pursuant to section 7-324 79 of the general statutes.
- 80 (15) "Paid consultant" means a person, firm or corporation hired by 81 a municipality or district to provide services to the municipality or 82 district for a fee.
 - Sec. 2. (NEW) (*Effective July 1, 2004*) (a) Notwithstanding the provisions of any special act, municipal charter or ordinance, not later than January 1, 2006, each municipality and district shall adopt a code of ethical conduct for its public officials, public employees and paid consultants. Each such code of ethical conduct shall include the provisions set forth in sections 3 to 5, inclusive, of this act or stricter ethical provisions for such public officials, public employees and paid consultants.
 - (b) Any municipality or district that adopted a code of ethical conduct before July 1, 2004, shall not be required to adopt a new code of ethical conduct under subsection (a) of this section. However, if any such existing code of ethical conduct does not include the provisions set forth in sections 3 to 5, inclusive, of this act or stricter ethical provisions for the municipality's or district's public official, public employees and paid consultants, the municipality or district shall, not later than January 1, 2006, amend its code of ethical conduct to include the provisions set forth in said sections 3 to 5, inclusive, or stricter ethical provisions for such persons.

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Sec. 3. (NEW) (*Effective July 1, 2004*) Each code of ethical conduct adopted by a municipality or district under subsection (a) of section 2 of this act shall include the following or stricter provisions for the municipality's or district's public officials and public employees:

- (1) No public employee or public official shall engage in or participate in any business or transaction, including outside employment with a private business, or have an interest, direct or indirect, that is incompatible with the proper discharge of the employee's or official's responsibilities in the public interest or that would tend to impair the employee's or official's independent judgment or action in the performance of the employee's or official's responsibilities.
- (2) (A) No public employee or public official shall solicit or accept any gift from any person that, to the employee's or official's knowledge, is interested in any pending matter within such individual's official responsibility.
- (B) If a prohibited gift is offered, the employee or official shall refuse it, return it, pay the donor the full value of the gift or donate it to a nonprofit organization, provided the employee or official does not take the corresponding tax deduction or credit. Alternatively, the gift may be deemed to be a gift to the municipality or district, provided it remains in the municipality's or district's possession permanently.
- (3) (A) A public employee or public official shall refrain from voting upon or otherwise participating in any matter on behalf of the municipality or district if the employee or official, a business with which he or she is associated, or a member of his or her immediate family, has a financial or personal interest in the matter, including, but not limited to, the sale of real estate, material, supplies or services to the municipality or district.
- (B) If such participation is within the scope of the public employee's or public official's official responsibility, the employee or official shall provide written disclosure, which sets forth in detail the nature and

133 extent of such interest.

(C) Notwithstanding the prohibition in subparagraph (A) of this subdivision, a public employee or public official may vote or otherwise participate in a matter that involves a determination of general policy if the employee's or official's interest in the matter is shared with a substantial segment of the population of the municipality or district.

- (4) In addition to the restrictions in subdivision (3) of this section, a public employee who serves on any governmental body of a municipality or district shall not vote or participate on any matter involving, for the department or program employing such public employee, (A) collective bargaining, (B) compensation or benefits, (C) personnel policies and procedures, (D) the budget, other appropriation or capital funding, or (E) employment, compensation, benefits or performance of personnel, unless such public employee is permitted to vote or participate pursuant to the provisions of a municipal charter or home rule ordinance.
- (5) (A) Except for a public official who receives no compensation for service to the municipality or district other than per diem payments and reimbursement of expenses, no public employee or public official shall appear on behalf of private interests before any board, agency or committee of the municipality or district.
- (B) Except for a public official who receives no compensation for service to the municipality or district other than per diem payments and reimbursement of expenses, no public employee or public official shall represent private interests against the interest of the municipality or district in any litigation to which the municipality or district is a party.
- (6) Nothing in this section shall prohibit or restrict a public employee or public official from appearing before any board or commission of the municipality or district on the employee's or official's own behalf, or from being a party in any action, proceeding or litigation brought by or against the public employee or public official

to which the municipality or district is a party.

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- 166 (7) No public employee or public official shall disclose confidential 167 information concerning municipal affairs, nor shall a public employee 168 or public official use such information for the financial interests of the 169 employee or official or others.
 - (8) No public employee or public official shall request or permit the use of municipally-owned vehicles, equipment, facilities, materials or property for personal convenience or profit, except when such are available to the public generally or are provided as municipal policy for the use of such public employee or public official in the conduct of official business.
- 176 (9) No public employee or public official, or a business with which 177 he or she is associated, or a member of his or her immediate family 178 shall enter into a contract with the municipality or district unless the 179 contract is awarded through a process of public notice and competitive 180 bidding.
- 181 (10) No public employee or public official may use the employee's 182 or official's position or office for the financial benefit of the employee 183 or official, a business with which he or she is associated or a member 184 of his or her immediate family.
- 185 (11) No public employee or public official shall accept a fee or 186 honorarium for an article, appearance or speech, or for participation at 187 an event, in the employee's or official's official capacity.
 - (12) No public employee or public official, or member of such individual's immediate family or business with which he or she is associated, shall solicit or accept anything of value, including, but not limited to, a gift, loan, political contribution, reward or promise of future employment based on any understanding that the vote, official action or judgment of the public employee or public official would be or had been influenced thereby.
- 195 (13) No public employee, public official or candidate for elected

office of a municipality or district shall engage in political activity while on municipal or district duty or within any period of time during which such person is expected to perform services for which such person receives compensation from the municipality or district, or utilize municipal or district funds, supplies, vehicles or facilities for the purpose of any such political activity.

- Sec. 4. (NEW) (*Effective July 1, 2004*) Each code of ethical conduct adopted by a municipality or district under subsection (a) of section 2 of this act shall include the following or stricter provisions for the municipality's or district's paid consultants:
 - (1) No paid consultant of a municipality or district shall represent a private interest in any action or proceeding against the interest of the municipality or district that is in conflict with the performance of said person's duties as a consultant.
- 210 (2) No paid consultant may represent anyone other than the 211 municipality or district concerning any matter in which the consultant 212 participated personally and substantially as a consultant to the 213 municipality or district.
- 214 (3) No paid consultant shall disclose confidential information 215 learned while performing the consultant's duties for the municipality 216 or district nor shall the consultant use such information for the 217 financial interests of the consultant or others.
- Sec. 5. (NEW) (*Effective July 1, 2004*) Each code of ethical conduct adopted by a municipality or district under subsection (a) of section 2 of this act shall include the following or stricter provisions for the municipality's or district's former public officials and public employees:
 - (1) No former public employee or public official shall appear for compensation before any municipal or district board or agency in which the employee or official was formerly employed at any time within a period of one year after termination of the employee's or

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- official's service with the municipality or district.
- 228 (2) No former public employee or public official shall represent 229 anyone other than the municipality or district concerning any 230 particular matter in which the employee or official participated 231 personally and substantially while in municipal service.
- 232 (3) No former public employee or public official shall disclose or use 233 confidential information acquired in the course of and by reason of the 234 employee's or official's official duties, for financial gain for himself or 235 herself or others.
- 236 (4) No former public employee or public official who participated 237 substantially in the negotiation or award of a municipal or district 238 contract obliging the municipality or district to pay an amount of one 239 hundred thousand dollars or more, or who supervised the negotiation 240 or award of such a contract shall accept employment with a party to 241 the contract other than the municipality or district for a period of one 242 year after such contract is signed.
 - Sec. 6. (NEW) (Effective July 1, 2004) Not later than January 1, 2006, each municipality and district that has not established an agency to investigate allegations of unethical conduct, corrupting influence or illegal activities against public officials, public employees and paid consultants of the municipality or district, pursuant to section 7-148h of the general statutes, as amended by this act, shall establish a procedure for investigating and deliberating on such allegations. Two or more municipalities or districts may jointly establish such procedure.
 - Sec. 7. (NEW) (*Effective July 1, 2004*) Not later than January 1, 2006, each municipality and district that has not required public officials and public employees to disclose their financial interests shall establish a policy for such disclosure. Such policy shall list the offices or positions for which such disclosure shall be required and shall set forth the scope and manner of such disclosure.

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258 Sec. 8. (NEW) (Effective July 1, 2004) (a) Not later than January 15, 259 2006, each municipality and district shall submit a report to the State 260 Ethics Commission stating whether the municipality or district has 261 complied with each of the applicable requirements of sections 2 to 7, 262 inclusive, of this act.

- (b) Not later than March 1, 2006, the State Ethics Commission shall submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to ethics. Said report shall (1) indicate the status of the compliance of each municipality and district with the applicable requirements of sections 2 to 7, inclusive, of this act, and (2) if any municipality or district has not complied with any such requirement, make recommendations for securing such compliance, including, but not limited to, proposed legislation.
- 271 Sec. 9. (NEW) (Effective July 1, 2004) In each odd-numbered year, the 272 State Ethics Commission shall conduct training on ethical issues 273 affecting public officials and public employees of municipalities and 274 districts.
- Sec. 10. Subdivision (10) of subsection (b) of section 7-148 of the 276 general statutes is repealed and the following is substituted in lieu 277 thereof (Effective July 1, 2004):
 - (10) (A) Make all lawful regulations and ordinances in furtherance of any general powers as enumerated in this section, and prescribe penalties for the violation of the same not to exceed one hundred dollars, unless otherwise specifically provided by the general statutes. Such regulations and ordinances may be enforced by citations issued by designated municipal officers or employees, provided the regulations and ordinances have been designated specifically by the municipality for enforcement by citation in the same manner in which they were adopted and the designated municipal officers or employees issue a written warning providing notice of the specific violation before issuing the citation;
 - [(B) Adopt a code of ethical conduct;]

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- 290 [(C)] (B) Establish and maintain free legal aid bureaus;
- [(D)] (C) Perform data processing and related administrative computer services for a fee for another municipality;
- [(E)] (D) Adopt the model ordinance concerning a municipal freedom of information advisory board created under subsection (f) of section 1-205 and establish a municipal freedom of information advisory board as provided by said ordinance and said section.
- Sec. 11. Section 7-148h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2004*):
 - [(a)] Any town, city, district, as defined in section 7-324, or borough may, by charter provision or ordinance, establish a board, commission, council, committee or other agency to investigate allegations of unethical conduct, corrupting influence or illegal activities levied against any official, officer or employee of such town, city, district or borough. The provisions of subsections (a) to (e), inclusive, of section 1-82a shall apply to allegations before any such agency of such conduct, influence or activities, to an investigation of such allegations conducted prior to a probable cause finding, and to a finding of probable cause or no probable cause. Any board, commission, council, committee or other agency established pursuant to this section may issue subpoenas or subpoenas duces tecum, enforceable upon application to the Superior Court, to compel the attendance of persons at hearings and the production of books, documents, records and papers.
 - [(b) Notwithstanding the provisions of any special act, municipal charter or ordinance to the contrary, an elected official of any town, city, district or borough that has established a board, commission, council, committee or other agency under subsection (a) of this section, has an interest that is in substantial conflict with the proper discharge of the official's duties or employment in the public interest and of the official's responsibilities as prescribed by the laws of this state, if the official has reason to believe or expect that the official, the official's

spouse or dependent child, or a business with which he is associated, as defined in section 1-79, will derive a direct monetary gain or suffer a direct monetary loss, as the case may be, by reason of the official's official activity. Any such elected official does not have an interest that is in substantial conflict with the proper discharge of the official's duties in the public interest and of the official's responsibilities as prescribed by the laws of this state, if any benefit or detriment accrues to the official, the official's spouse or dependent child, or a business with which he, his spouse or such dependent child is associated as a member of a profession, occupation or group to no greater extent than to any other member of such profession, occupation or group. Any such elected official who has a substantial conflict may not take official action on the matter.]

This act shall take effect as follows:				
Section 1	July 1, 2004			
Sec. 2	July 1, 2004			
Sec. 3	July 1, 2004			
Sec. 4	July 1, 2004			
Sec. 5	July 1, 2004			
Sec. 6	July 1, 2004			
Sec. 7	July 1, 2004			
Sec. 8	July 1, 2004			
Sec. 9	July 1, 2004			
Sec. 10	July 1, 2004			
Sec. 11	July 1, 2004			

GAE Joint Favorable Subst.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Ethics Com.	GF - None	None	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 05 \$	FY 06 \$
All Municipalities	Cost	Minimal	Minimal

Explanation

The bill creates a code of ethical conduct for municipal and special district officials, full or part time employees, and paid consultants. This bill eliminates the authority municipalities have to adopt a code of ethics and instead requires them and special districts to adopt the bill's model code or a stricter one by January 1, 2006.

Beginning in 2005, and each odd year thereafter, the State Ethics Commission shall conduct training on ethical issues affecting public officials and public employees of municipalities and districts. By March 1, 2006, the commission must submit a report to the Government Administration and Elections Committee indicating municipalities' compliance with the bill and also recommendations for getting those municipalities that have not complied to do so. This additional workload is not expected to require additional resources.

The bill requires that each municipality that has not established a mechansim to investigate allegations of unethical conduct by January 1, 2006, to establish a procedure for investigating and deliberating such allegations. Two or more municipalities or districts may jointly establish such procedure. The cost to a municipality to adopt a code of ethics and establish a mechanism to investigate allegations is expected

to be minimal.

OLR Bill Analysis

sHB 5023

AN ACT CONCERNING MUNICIPAL ETHICS CODES

SUMMARY:

The bill creates a code of ethical conduct for municipal and special district (1) elected and appointed officials, including candidates for office, whether or not they are paid; (2) full- and part-time employees; and (3) paid consultants, consisting of people and businesses the local governments hire to provide local services.

The bill eliminates the authority municipalities have to adopt a code and instead requires them and special districts to adopt the bill's model code or a stricter one by January 1, 2006, including procedures for investigating and deliberating alleged ethical violations. Towns and districts that have already adopt a code or do so by July 1, 2004 have to amend it to be at least as strict as the model code. The bill requires the State Ethics Commission to offer training on municipal ethics in each odd-numbered year.

It requires any municipality or district that does not require its public officials or employees to disclose their financial interests, to establish a financial disclosure policy by January 1, 2006. It permits two or more municipalities or districts to establish joint procedures. The policy must set forth the scope and manner of disclosure and state the offices or positions subject to it.

Lastly, by January 15, 2006, the bill requires each municipality and district to report to the State Ethics Commission whether it has complied with the bill's requirements. By March 1, 2006, the commission must submit a report to the Government Administration and Elections Committee (1) indicating municipalities' and districts' compliance with the bill and (2) making recommendations for getting those that have not complied to do so.

EFFECTIVE DATE: July 1, 2004

PROHIBITED CONDUCT

Current Official and Employees

Under the bill, no public official or employee can:

- engage or participate in a business or transaction, including outside employment, or have a direct or indirect interest that is incompatible with, or that would tend to impair, independent judgment in the proper discharge of the official's or employee's public responsibilities;
- 2. solicit or accept a gift from anyone he knows is interested in any pending matter within the official's or employee's official responsibility;
- 3. appear on behalf of private interests before, or represent private interests against, any municipal or special district board, agency, or committee (this provision does not apply to an official who receives no compensation other than per diem payments);
- 4. disclose confidential information concerning municipal affairs or use such information for his own or others' financial interests (interests with a monetary value of \$100 or more);
- 5. ask or permit municipally owned vehicles, equipment, facilities, materials, or property to be used for his own personal convenience or profit, except when this property is available to the general public or permitted for the employee's or official's use when conducting official business;
- 6. contract with the municipality or special district, unless the contract is awarded through a public notice, competitive bidding process;
- 7. use his position or office for his own financial benefit or that of an immediate family member (spouse, child, or dependent relative living in his household) or associated business (business owned by a official, employee, or member of his immediate family or where any one of them works; serves as officer, director, or compensated agent; or own at least 5% of the stock in any class);

8. accept a fee or honorarium for an article written, appearance or speech made, or participation at an event, in his official capacity;

- 9. engage in political activity while on duty or during any time he is paid to be on duty;
- 10. use municipal or district funds, supplies, vehicles, or facilities for political activity; or
- 11. solicit or accept anything of value, including a gift, loan, political contribution, reward or promise of future employment based on any understanding that the official's or employee's vote, official action, or judgment would be or had been influenced by it.

A "gift" is generally anything of value given for less than its value. The bill contains 13 gift exceptions, including items valued at \$10 or less; certificates or ceremonial awards valued at less than \$100; and gifts given at gift-giving occasions, such as Christmas and Hanukkah. In addition, a gift is not received by a public official or employee who refuses it, returns it, pays the donor the full value of it, accepts it on behalf of the municipality or special district (i.e., the gift is intended to remain in the permanent possession of the municipality or special district), or donates it to a nonprofit organization. If donated, the official or employee cannot take a tax deduction or credit for it.

The bill also prohibits a public official or employee from voting on, or otherwise participating in, any matter on behalf of the municipality or special district if he, an associated business, or an immediate family member has a financial or personal interest in the matter greater than that of any other segment of the population, including the sale of real estate, material, supplies, or services to the municipality or special district. If the participation is within the scope of the official's or employee's official responsibility, he must give the commission a written explanation of the nature and extent of his interest. Like public officials and employees, the bill prohibits their immediate families and associated businesses from entering into private contractual agreements with the municipality or special district.

Unless a municipal charter or home rule ordinance permits it, the bill prohibits municipal or district employees who also serve on a "governmental body" from voting or participating in collective bargaining, compensation or benefits, personnel policies and

procedures, or budgetary matters or other employment matters that involve his agency.

The bill specifies that it does not prohibit or restrict a public official or employee from appearing before any municipal or special district board or commission on his own behalf or from being a party in an action, proceeding, or litigation brought by or against the official or employee to which the municipality or special district is a party.

FORMER OFFICIAL OR EMPLOYEES

The bill prohibits former public officials or employees from:

- accepting compensation to appear before their former municipal or special district board or agency for the first year after terminating employment or office;
- 2. representing anyone, other than the municipality or special district, in any matter in which they participated personally and substantially while in municipal service;
- 3. disclosing or using confidential information gained in their official position for their own financial gain or that of others; or
- 4. working for a party to a contract, other than the municipality or special district, for one year after the contract is signed, if they participated substantially in the contract negotiations or award and the contract obligates the municipality or special district to pay \$100,000 or more.

PAID CONSULTANTS

The bill prohibits a paid consultant of a municipality or special district from:

- 1. representing a private interest in any action or proceeding against the interest of the municipality or special district that is in conflict with the consultant's performance of his duties;
- 2. representing anyone, other than the municipality or special district, in any matter in which the consultant participated personally and

substantially on behalf of the municipality or special district; or

3. disclosing confidential information gained in his capacity as consultant or using it for his personal interests or those of others.

INVESTIGATING AND DELIBERATING ETHICS COMPLAINTS

Current law allows a municipality or a fire, sewer, or other district to establish a board or commission to investigate allegations against a local public official or employee of unethical conduct, corrupting influence, or illegal activity. It also specifies that certain provisions in the State Ethics Code apply to allegations and investigations of municipal or district ethics violations. The bill eliminates the application of the State Ethics Code in local ethical proceedings.

Instead, the bill requires all towns, cities, boroughs, and special districts to establish a procedure for investigating and deliberating on such allegations against their public officials, employees, or paid consultants by January 1, 2006. Municipalities and districts that already have agencies in place are not required to make any changes.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable Substitute Yea 14 Nay 3